REPORT OF INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS

SOJOURNER CENTER

June 30, 2017 and 2016

MOSSADAMS

Table of Contents

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Report of Independent Auditors

To the Board of Directors
Sojourner Center

Report on the Financial Statements

We have audited the accompanying financial statements of Sojourner Center (the “Organization”), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sojourner Center as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Sojourner Center's 2016 financial statements, and our report dated April 27, 2017, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Moss Adams LLP

Scottsdale, Arizona
February 20, 2018

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Sojourner Center
Statements of Financial Position

ASSETS

	June 30, 2017	June 30, 2016
ASSETS		
Cash and cash equivalents	$ 311,252	$ 489,660
Investments	551,721	2,191,071
Accounts receivable	277,350	259,251
Promises to give, net	-	509,948
Prepaid expenses	1,327	2,126
Property and equipment, net	9,248,977	9,578,371
Total assets	$ 10,390,627	$ 13,030,427

LIABILITIES AND NET ASSETS

	2017	2016
LIABILITIES		
Accounts payable and accrued expenses	$ 181,104	$ 183,117
Accrued payroll	135,927	156,400
Long-term debt	3,059,084	3,157,394
Total liabilities	3,376,115	3,496,911
NET ASSETS		
Unrestricted net assets		
Undesignated	226,129	1,752,995
Board designated quasi-endowment	-	260,314
Investment in property and equipment	6,189,893	6,420,977
Total unrestricted net assets	6,416,022	8,434,286
Temporarily restricted net assets	598,490	1,099,230
Total net assets	7,014,512	9,533,516
Total liabilities and net assets	$ 10,390,627	$ 13,030,427

See accompanying notes.

	Year Ended June 30, 2017 (with Comparative Totals for the Year Ended June 30, 2016)			
		Temporarily	Totals	
	Unrestricted	Restricted	2017	2016
SUPPORT AND REVENUE				
Government grants and contracts	$ 2,479,809	$ -	$ 2,479,809	$ 2,696,341
Contributions, gifts in-kind, donated services, and materials	2,812,521	406,500	3,219,021	3,298,671
Other revenues	88,255	-	88,255	80,634
Total support and revenue before net assets released from restriction	5,380,585	406,500	5,787,085	6,075,646
NET ASSETS RELEASED FROM RESTRICTION				
Expiration of time restrictions	50,750	(50,750)	-	-
Satisfaction of purpose restrictions	397,292	(397,292)	-	-
Total net assets released from restriction	448,042	(448,042)	-	-
Total support, revenue, and releases	5,828,627	(41,542)	5,787,085	6,075,646
EXPENSES				
Program services	4,997,077	-	4,997,077	4,596,535
Fundraising and development	1,091,936	-	1,091,936	909,912
Management and general	1,958,622	-	1,958,622	1,560,187
Total expenses	8,047,635	-	8,047,635	7,066,634
Change in net assets from operations	(2,219,008)	(41,542)	(2,260,550)	(990,988)
OTHER CHANGES IN NET ASSETS				
Investment income	102,434	-	102,434	31,300
Promises to give written-off		(459,198)	(459,198)	(268,707)
Loss on disposition of property and equipment	-	-	-	(1,098,836)
Forgiveness of long-term debt	168,000	-	168,000	-
Reclassification of grant award	(69,690)	-	(69,690)	-
Total other changes in net assets	200,744	(459,198)	(258,454)	(1,336,243)
CHANGE IN NET ASSETS	(2,018,264)	(500,740)	(2,519,004)	(2,327,231)
NET ASSETS, beginning of year	8,434,286	1,099,230	9,533,516	11,860,747
NET ASSETS, end of year	$ 6,416,022	$ 598,490	$ 7,014,512	$ 9,533,516

Sojourner Center
Statements of Functional Expenses

	Year Ended June 30, 2017 (with Comparative Totals for the Year Ended June 30, 2016)				
	Program Services	Fundraising and Development	Management and General	Totals 2017	Totals 2016
Salaries	$ 2,353,893	$ 343,907	$ 875,070	$ 3,572,870	$ 3,052,132
Payroll taxes and benefits	446,048	66,605	225,157	737,810	635,114
Total salaries and related expenses	2,799,941	410,512	1,100,227	4,310,680	3,687,246
Professional fees	96,298	108,210	278,609	483,117	617,356
Food and supplies	301,386	3,912	15,523	320,821	300,201
Occupancy expenses	346,511	5,562	24,723	376,796	477,810
Communication and network	50,429	8,510	131,615	190,554	156,223
Travel, meals, and lodging	14,680	5,383	15,543	35,606	60,792
Events and newsletters	155	115,648	2,684	118,487	79,728
General expenses	39,906	24,604	38,316	102,826	113,071
In-kind expenses	1,347,771	409,595	8,750	1,766,116	1,167,503
Depreciation	-	-	342,632	342,632	406,704
	$ 4,997,077	$ 1,091,936	$ 1,958,622	$ 8,047,635	$ 7,066,634

See accompanying notes.

	Years Ended June 30, 2017	Years Ended June 30, 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (2,519,004)	$ (2,327,231)
Adjustment to reconcile change in net assets to cash used for operating activities		
Depreciation	342,632	406,704
Realized and unrealized (gain) loss on investments	(66,300)	42,033
Promises to give written-off	459,198	268,707
Loss on disposition of property and equipment	-	1,098,836
Forgiveness of long-term debt	(168,000)	-
Reclassification of grant award	69,690	-
Donated property and equipment	-	(32,803)
Changes in operating assets and liabilities		
Accounts receivable	(18,099)	(47,629)
Promises to give	50,750	(333,534)
Prepaid expenses	797	1,759
Accounts payable and accrued expenses	(2,011)	121,339
Accrued payroll	(20,473)	(96,608)
Net cash used for operating activities	(1,870,820)	(898,427)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	2,548,616	1,723,973
Purchases of investments	(842,966)	(621,944)
Purchases of property and equipment	(13,238)	(20,260)
Net cash provided by investing activities	1,692,412	1,081,769
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(178,408)	183,342
CASH AND CASH EQUIVALENTS, beginning of year	489,660	306,318
CASH AND CASH EQUIVALENTS, end of year	$ 311,252	$ 489,660

See accompanying notes.

Note 1 – Nature of Operations

Sojourner Center (the "Organization") is an Arizona nonprofit corporation with a mission to overcome the impact of domestic violence one life at a time. The Organization was formed in 1977 and has provided safety, shelter, and an array of supportive services to victims of domestic violence for over 35 years. The Organization not only provides emergency shelter, but also offers extensive and comprehensive programs to help victims of domestic violence rebuild and redirect their lives. These programs provide a continuum of services including prevention and intervention, community education, and victim advocacy. The Organization provides food, clothing, and other basic needs for victims and families; licensed childcare; a 24-hour crisis hotline; support to address career, education, and job advancement; legal advocacy; transitional housing; support groups; and domestic violence dynamics education classes for women and children whose lives have been affected by domestic violence.

The Organization receives funds from certain governmental entities that are used to support domestic violence service programs and initiatives, and to pay operating expenses. The revenue from these entities is classified as unrestricted funds and is included in the accompanying statements of activities and changes in net assets as government grants and contracts.

The Organization seeks and obtains grants and contributions from corporations, foundations, and individuals to support service programs and operating expenses for the current year and future years. Donors may provide unrestricted contributions, which are pooled and used to support service programs. Donors may direct their contributions for use in a specific manner or for a particular program. Contributions may also be directed to a permanent endowment for support of future programs and initiatives. All contributions are classified according to donors' designations and are reported in the accompanying statements of activities and changes in net assets as unrestricted, temporarily restricted, or permanently restricted contributions.

Note 2 – Significant Accounting Policies

Net asset classification – The Organization reports information regarding its statements of financial position and activities and changes in net assets according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Contributions are considered unrestricted unless specifically restricted by the donor. Donor restricted contributions where the restrictions are met within the same year as received are reported as unrestricted revenue in the accompanying financial statements.

Unrestricted net assets – Unrestricted net assets are assets not subject to stipulations imposed by the donor and are currently available for expenditures. Unrestricted net assets include nonrestricted revenue available to fund programs and operating expenses; and Board designated endowment amounts approved by the Board of Directors for long-term investment purposes.

Temporarily restricted net assets – Temporarily restricted net assets are assets subject to explicit restrictions imposed by the donor for a specific purpose or time period when the restriction is not met within the year of receipt and the restriction is not permanent.

Note 2 – Significant Accounting Policies (continued)

Permanently restricted net assets – Permanently restricted net assets are assets subject to explicit restrictions imposed by the donor to be maintained in perpetuity by the Organization. As of June 30, 2017 and 2016, the Organization did not have any permanently restricted net assets.

Prior year summarized information – The financial statements include certain prior-year information for comparative purposes in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

Cash and cash equivalents – The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to capital expenditures, permanent endowment, or other long-term purposes of the Organization are excluded from this definition.

Cash equivalents, which consist of highly liquid financial instruments, might potentially expose the Organization to credit risk. Deposits are placed with financial institutions insured by the Federal Deposit Insurance Corporation. The Organization, at times, maintains cash at financial institutions in excess of the Federal Deposit Insurance Corporation limits.

Accounts receivable – Accounts receivable are non-interest bearing and consist primarily of amounts due from governmental agencies and accordingly, credit risk is limited. Contracts are stated at the amount management expects to collect. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on the assessment of the current status of individual balances. Balances that are still outstanding after management has used reasonable collection efforts are written-off through a charge to the valuation allowance and credit to accounts receivable. Management considers the accounts receivable balances at June 30, 2017 and 2016 to be fully collectible and, accordingly, an allowance for doubtful accounts is not deemed necessary. As of June 30, 2017 and 2016, substantially all accounts receivable were from agencies related to the state of Arizona or federal government.

Investments – Available funds are invested in money market funds, mutual funds, certificates of deposits, corporate bonds, equity securities, and funds held by others. The Organization's investments are governed by an investment policy with guidelines for allowable investment securities, asset allocation, and maturities. Investments are reported at fair value. Net investment income is reported in the statements of activities and changes in net assets and consists of interest and dividend income, realized and unrealized gains and losses, less investment management, and custodial fees. Investment related expenses totaled approximately $7,655 and $26,785 in 2017 and 2016, respectively.

Note 2 – Significant Accounting Policies (continued)

Investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risks in the near term could materially affect account balances and the amounts reported in the accompanying financial statements. Deposits are placed with financial institutions insured by the Securities Investor Protection Corporation. The Organization, at times, maintains investments at financial institutions in excess of the Securities Investor Protection Corporation limits.

Property and equipment – Purchased property and equipment is valued at cost. Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Routine maintenance and repairs are charged to operations when incurred. Generally, property and equipment in excess of $1,000 and having a useful life of more than one year is capitalized. When property and equipment is sold, impaired or otherwise disposed of, the asset and related accumulated depreciation accounts are reduced, and any gain or loss is included in operations. Depreciation of property and equipment is computed on a straight-line basis over the following estimated useful lives:

Buildings	40 years
Furniture and equipment	3–7 years

Impairment of long-lived assets – The Organization accounts for long-lived assets in accordance with generally accepted accounting principles which require that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Governmental grants and contracts revenue – The Organization recognizes amounts received from grants and contracts as earned when (a) services are rendered under a unit of service method, or (b) over time as provided in the contract. Funding sources may, at their discretion, request reimbursement for expenses or return of funds, or both, as a result of noncompliance by the Organization with the terms of the contract. Grants and contracts with various federal and state agencies represent approximately 43% and 44% of the Organization's total support and revenues for the years ended June 30, 2017 and 2016, respectively.

Contributions and promises to give – Contributions received and unconditional promises to give are recorded as revenue at fair value in the period the contribution or promise is received. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities and changes in net assets. Management determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written-off when deemed uncollectable.

Note 2 – Significant Accounting Policies (continued)

Gifts in-kind and donated services – Gifts in-kind are recorded as contributions at fair market value of the asset received at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions with donor stipulations regarding how long those donated assets must be maintained are recorded as restricted net assets until placed into service as instructed by the donor.

Donated services are recognized as contributions in accordance with generally accepted accounting principles if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise have been purchased.

Gifts in-kind and donated services are included in contributions, donated services, and materials and in-kind expenses. Gifts in-kind and donated services totaled $1,766,116 and $1,200,306 as of June 30, 2017 and 2016, respectively.

The Organization receives the services of many volunteers to perform a variety of tasks that assist the Organization with specific programs, campaign solicitations, and various committee assignments. Since the services provided do not require specialized skills, they have not been valued in the accompanying financial statements. The total hours of service were 3,052 and 5,085 (unaudited) as of June 30, 2017 and 2016, respectively.

Other revenues – Other revenues consists primarily of revenue from supportive housing tenants for rent, metro passes, child care, and purchases of donation center goods and is recognized upon delivery of goods or services.

Functional expenses – The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities and changes in net assets. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income tax status – The Organization qualifies as a tax-exempt organization under Section 50l(c)(3) of the Internal Revenue Code (the "Code") and, therefore, there is no provision for income taxes. In addition, the Organization qualifies for the charitable contribution deduction under Section 170 of the Code and has been classified as an organization that is not a private foundation.

Income determined to be unrelated business taxable income (UBTI) would be taxable. The Organization believes all activities meet exempt purposes and no material uncertain tax positions have been identified or recorded in the accompanying financial statements at June 30, 2017 and 2016.

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 – Significant Accounting Policies (continued)

Reclassifications – Certain amounts were reclassified in the 2016 financial statements to conform to the 2017 presentation. Such reclassifications had no impact on previously reported net assets or change in net assets.

Subsequent events – Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are available to be issued. The Organization recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Organization's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position, but arose after the statement of financial position date and before financial statements are available to be issued. Note 12 provides disclosure of certain subsequent events.

The Organization has evaluated subsequent events through February 20, 2018, the date which the financial statements were available to be issued.

Note 3 – Board Designated Endowment

The Board of Directors has interpreted the Arizona Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. As a result of this interpretation, all of the funds in the board-designated endowment are unrestricted.

The Board of Directors can approve and disburse funds equal to investment income from the endowment up to 5% of the fair value of the endowment. The Board of Directors can also undesignate amounts for use in operations. The Board of Directors undesignated $876,000 during the years ended June 30, 2016 for use in operations. The remaining balance of $260,314 was undesignated during the year ended June 30, 2017 for use in operations.

The following table summarizes changes in endowment net assets for the years ended June 30:

	2017	2016
Board designated endowment net assets, beginning of year	$ 260,314	$ 1,145,300
Investment income, net	-	13,686
Net realized and unrealized loss	-	(22,672)
Undesignation of board designated endowment assets	(260,314)	(876,000)
Board designated endowment net assets, end of year	$ -	$ 260,314

Note 4 – Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following at June 30:

	2017	2016
Time restricted		
Promises to give	$ -	$ 509,948
Purpose restricted		
Program services	388,490	379,282
Property and equipment	210,000	210,000
Temporarily restricted net assets	$ 598,490	$ 1,099,230

Note 5 – Investments and Fair Value of Assets

Certain assets and liabilities are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, the Organization develops inputs using the best information available in the circumstances.

Note 5 – Investments and Fair Value of Assets (continued)

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Organization's assessment of the quality, risk, or liquidity profile of the asset or liability.

The following table summarizes assets measured at fair value on a recurring basis as of June 30, 2017 and 2016, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	Fair value measurements as of June 30, 2017			
	Quoted Prices in Active Markets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Mutual funds	$ 608	$ -	$ -	$ 608
Certificates of deposit	-	529,612	-	529,612
Funds held at Arizona Community Foundation	-	21,501	-	21,501
Total assets	$ 608	$ 551,113	$ -	$ 551,721

	Fair value measurements as of June 30, 2016			
	Quoted Prices in Active Markets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Domestic equity securities	$ 855,268	$ -	$ -	$ 855,268
Mutual funds	1,170,780	-	-	1,170,780
Corporate bonds	-	143,522	-	143,522
Funds held at Arizona Community Foundation	-	21,501	-	21,501
Total assets	$ 2,026,048	$ 165,023	$ -	$ 2,191,071

There were no transfers between levels of the fair value hierarchy during the years ended June 30, 2017 and 2016. The Organization’s policy is to recognize transfers in and transfers out at the end of the reporting period.

Note 5 – Investments and Fair Value of Assets (continued)

Mutual funds are valued at the publicly quoted net asset value of shares held by the Organization at year end. Certificates of deposit are valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer. Money market funds and equity securities are valued at the closing price reported on the active market on which the individual securities are traded. Corporate bonds are valued using pricing models maximizing the use of observable inputs for similar securities which includes basing value on yields currently available on comparable securities of issuers with similar credit ratings. Funds held at the Arizona Community Foundation are valued using quoted prices for similar assets in active markets and can be redeemed at any time by the Organization.

Note 6 –Investment Income

Investment income consists of the following for the years ended June 30, 2017 and 2016:

	2017	2016
Interest and dividends	$ 36,134	$ 73,333
Net realized/unrealized investment gain (loss)	66,300	(42,033)
Total investment income	$ 102,434	$ 31,300

Note 7 – Unconditional Promises to Give

In December 2015, the Organization received a promise to give from a donor. The Organization received $500,000 at the time the promise received with an additional $500,000 to be received over the subsequent four years. The promise to give was restricted for the purpose of the Organization's BRAIN program. During the fiscal year ended June 30, 2017, the Organization decided that the BRAIN program would not continue as originally designed. No additional funds were expected to be received under this agreement and the Organization wrote off the remaining the uncollected balance of $459,198.

As of June 30, 2016, unconditional promises to give consisted of the following:

	2016
Unconditional promises to give due in less than one year	$ 51,000
Unconditional promises to give due in one to five years	475,000
Total promises to give	526,000
Less discounts to net present value	(16,052)
Total promises to give, net	$ 509,948

Note 7 – Unconditional Promises to Give (continued)

The estimated cash flows for the promises to give were discounted over the collection period using a discount rate equal to the treasury bill rate at the date the promises to give were received. The applicable discount rate was 1.0% for promises to give received in the year ended June 30, 2016.

Note 8 – Property and Equipment

Property and equipment consisted of the following at June 30:

	2017	2016
Cost and donated value		
Buildings	$ 11,277,058	$ 11,277,058
Furniture and equipment	805,353	792,115
Total gross property and equipment	12,082,411	12,069,173
Less accumulated depreciation	(3,752,312)	(3,409,680)
Land	918,878	918,878
Total property and equipment, net	$ 9,248,977	$ 9,578,371

Depreciation expense charged to operations was $342,632 and $406,704 for 2017 and 2016.

On May 2, 2016, the Organization terminated its Lease and Operating Agreement with the City of Phoenix for the Hope Campus and transferred the building back to the City of Phoenix. The Organization recorded the disposal of $1,098,836 of leasehold improvements, net of accumulated depreciation, related to this facility. This one-time amount is included in the statements of activities and changes in net assets in loss on disposition of property and equipment and is not considered part of current year operations.

Note 9 – Long-Term Debt

The Organization obtained a Community Development Block Grant ("CDBG") construction loan in February 1993 from the City of Phoenix. The loan, in the amount of $168,000, was to acquire and improve certain facilities to provide shelter, transitional housing, counseling, and related services to persons affected by domestic violence. The loan was secured by a deed of trust and was noninterest bearing. In June 2017, the deed of trust and related debt were fully released by the City of Phoenix. Accordingly, forgiveness of debt of $168,000 was included in the statement of activities and changes in net assets.

Note 9 – Long-Term Debt (continued)

The Organization obtained a CDBG construction loan in April 2004, from the City of Phoenix to expand its facility. The loan, in the amount of $1,000,000, is secured by a deed of trust and is noninterest bearing. The entire unpaid balance is due on the later of the expiration of the period of affordability or 35 years. If the Organization is not in default under the loan agreement, the Organization shall receive an annual credit against the principal amount due commencing in July 2018 in an amount equal to four percent of the original principal loan amount.

In July 2005, the Organization obtained a $489,394 note payable with the Arizona Department of Housing. The note is secured by a deed of trust, bears a zero percent interest rate, and is forgivable at the end of a 20-year period. The loan is to be used for transitional housing.

In December 2008, the Organization obtained another CDBG construction loan from the City of Phoenix to further expand its facility. The loan, in the amount of $1,500,000, is secured by a deed of trust and is noninterest bearing. If the Organization is not in default under the loan agreement, the Organization shall receive a credit against the principal amount due on the 40th anniversary of the Certificate of Completion of the facility expansion.

In October 2012, the Organization obtained another CDGM construction loan from the City of Phoenix. The loan, in the amount of $69,690, is secured by a deed of trust and is noninterest bearing. If the Organization is not in default under the loan agreement, the Organization shall receive an annual credit against the principal amount due commencing in May 2019 in an amount equal to twenty percent of the original principal loan amount. This loan was recorded as grant revenue in the year ended June 30, 2013. In the year ended June 30, 2017, the Organization reclassified this amount as long-term debt.

No interest was recognized or capitalized for the years ended June 30, 2017 and 2016, respectively.

Note 10 – Commitments and Contingencies

The Company leases office equipment under noncancellable operating lease agreements that expire through 2021. Rent expense totaled $25,010 and $22,213 for the years ended June 30, 2017 and 2016, respectively. At June 30, 2017, future minimum lease payments are as follows:

Fiscal years ending June 30:		
2018	$	21,592
2019		21,592
2020		20,594
2021		5,065
Total	$	68,843

Note 11 – Retirement Plan

The Organization sponsors a 403(b) retirement plan, which covers all employees after specified periods of service and eligibility requirements have been met. The Organization withholds voluntary contributions from paychecks and remits the contributions to an independent trustee. Each participant may contribute up to 20 percent of their eligible compensation on a pretax basis to the plan, up to the maximum allowed by the Internal Revenue Code. The Organization matches up to 50% of what an employee contributes up to 6% of their salary. During the years ended June 30, 2017 and 2016, the Organization's matching contribution expense was $22,786 and $20,374, respectively.

Note 12 – Subsequent Events

On July 28, 2017 the Organization entered into an Affiliation Agreement with Jewish Family & Children’s Service, Inc. (JFCS). Under the agreement JFCS became the sole member of the Organization. Sojourner Center maintained its own 501(c)(3) status and will operate as an affiliate subsidiary of JFCS.

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